

Shelby Area District Library
Oceana County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

February 29, 2008

Shelby Area District Library

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Brief Discussion of the Basic Financial Statements

This annual report consists of three parts: *management's discussion and analysis*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information about the Library's General Fund under the modified accrual method of accounting. These financial statements focus on current resources and provide a detailed view of the Library's sources and uses of funds.
- The "Adjustments" columns of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method of accounting required for the year ended February 29, 2008.
- The last columns provide both long term and short term information about the Library's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Library as a whole, and present a longer term view of the Library's finances.

The financial statements also include *notes* which explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Condensed Financial Information

A. Statement of Net Assets

The Statement of Net Assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Library is improving or deteriorating. As of February 29, 2008, the Library's net assets totaled \$850,738. Current assets totaled \$220,483 and consisted of cash and receivables. Capital assets of \$648,755 include the Library's collection of materials less accumulated depreciation. Increases in current assets mirror the increase in unrestricted net assets.

Condensed Statement of Net Assets

	2008	2007
Current assets	\$ 220,483	\$ 202,092
Capital assets	648,755	633,831
Total assets	869,238	835,923
Current liabilities	18,500	14,020
Net assets		
Invested in capital assets	648,755	633,831
Unrestricted	201,983	188,072
Total net assets	\$ 850,738	\$ 821,903

B. Statement of Activities

The information that follows reports key financial information in a condensed format. Amounts and totals reported are for all Library activities, including general operations, gifts received, and net assets, in order to give a complete picture.

The Library's net assets increased by \$28,835 during the 2008 fiscal year. The majority of the Library's support comes from property taxes, penal fines paid by Oceana County, library service contracts with local communities and support from the State of Michigan. These sources combined together increased by \$7,145 with most of the growth coming from higher property tax revenue. Contributions decreased due to an unexpected gift of \$10,000 from an individual in the prior year. Total expenses increased \$7,546 during the 2008 fiscal year. Salaries and wages and the corresponding fringe benefits increased by about 5% due to cost of living raises and an increase in benefit costs. Depreciation expense represented 15% of total expenses.

Condensed Statement of Activities

	2008	2007
General revenues		
Property taxes	\$ 122,095	\$ 114,649
Intergovernmental revenues	152,853	153,154
Fines and forfeitures	2,911	2,734
Investment earnings	2,446	2,194
Contributions	30,755	37,814
Other	7,658	7,303
Total revenues	318,718	317,848
Expenses		
Salaries and wages	150,477	142,331
Fringe benefits	22,085	20,215
Repairs and maintenance	11,587	14,289
Utilities	9,248	10,734
Depreciation	52,176	49,075
Other expenses	44,310	45,693
Total expenses	289,883	282,337
Change in net assets	28,835	35,511
Net assets - Beginning	821,903	786,392
Net assets - Ending	\$ 850,738	\$ 821,903

Analysis of Financial Statements

The Shelby Area District Library operates a General Fund, which serves as the Library's primary operating fund in which all transactions for day to day operation are recorded.

The fund balance of the General Fund increased \$13,438 which is very similar to the increase in net assets when donated library materials are factored in. The ending fund balance of \$210,568 is equal to about nine months of expenditures.

The largest expenses of the Library are salaries and wages and related fringes, since the Library is a service organization which requires staff to provide the services. The fringe benefits include payroll taxes paid for all employees as well as retirement for all full-time and permanent part-time Library employees. At present the Library employs 13 people. The second largest expense for the Library is capital outlay for collection materials, which includes books, magazines, and audio-visuals materials. The third largest expense is repairs and maintenance.

Library Budget Highlights

The following is a summary of the significant budget amendments for year ending February 29, 2008:

- The other expenditures budget was decreased from \$20,700 to \$9,200 because the contingency budget was transferred to the capital outlay expenditures budget.
- The capital outlay budget was increased from \$36,400 to \$51,900 because of bathroom renovations, the purchase of new computer chairs for patron use and reupholstery of furniture.

Significant budget to actual comparison highlights were as follows:

- Property tax revenues exceeded budgeted amounts by \$8,095 because of higher than expected taxable value changes.
- Local intergovernmental revenues exceeded budgeted amounts by \$8,501 because penal fine revenue was higher than expected and two of our townships paid their contribution to the Library with an appropriated tax which was higher than anticipated due to taxable value growth.
- Contribution revenues were less than budgeted by \$7,525 because donations from the Friends of the Library were less than anticipated.
- Salaries and wages expenditures exceeded budgeted amounts by \$5,420 because of schedule changes that required more staff hours.

Capital Assets

The only significant change in the library's capital assets was the acquisition of books and materials in the amount of \$44,245, a restroom remodel in the amount of \$9,862, and computers and shelving in the amount of \$12,993. Books and materials removed from the collections were \$43,315 and furniture, fixtures and equipment disposed of were \$9,643. All disposals were fully depreciated.

Long-Term Debt

At the end of the fiscal year, the Library had total debt outstanding of \$8,585 consisting entirely of compensated absences.

Anticipated Budget Factors and Currently Known Facts for Fiscal Year 2008-2009:

The Library expects revenues in the next fiscal year to be fairly consistent with fiscal year 2008. Penal fines, which represent the second largest source of revenues and state aid funding, continue to be unstable so the 2009 budget for those revenues is conservative. The Library did not budget revenue sharing dollars in 2009 due to continued uncertainty about this revenue source. Increased taxable values from the Library District and Grant and Benona Townships' contract appropriations will have a positive impact on our current revenue budget and help the Library continue to keep a healthy fund balance. Donations, Memorial gifts, Endowment Fund distributions and Friends of the Library donations should be consistent with previous years and possibly higher overall due to significant memorial donations early in the fiscal year. The Bookmobile is no longer a viable service due to low numbers of visits and staff cost for operation. That vehicle has been sold this year which will eliminate costs for maintenance and insurance.

Expenditures are expected to increase slightly in fiscal year 2009. The Library's personnel budget lines include a routine cost-of-living increase. At this time there is no plan for adding staff or for significant changes in work hours. The Library has completed significant maintenance and renovation projects in the past year but the planned exterior sign was not done and significant repairs and maintenance are needed on the south entrance door and exterior finish. Those projects will be completed in the 2009 year. The materials budget for books and audiovisual items continues to be a priority and new audiovisual display units will be needed. The Rothbury Branch library continues to operate with volunteers and the coordinator for that service is a regular library employee. Funds budgeted for that Branch Library will be used to purchase a new book return unit that will replace an existing book return unit. The Library will continue to have a conservative approach to spending and is committed to keeping a healthy fund balance. There is an ongoing conversation with the Village of Shelby regarding the Library moving into the Village office space and conference room at such time the Village relocates. This would provide additional space for Library operations in the future. When and if this happens the Library will have costs for repairs and renovation of that space.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances for all those interested in them. Questions may be directed to the Shelby Area District Library, 189 Maple Street, Shelby, MI 49455 (231) 861-4565.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 6, 2008

Board of Directors
Shelby Area District Library
Shelby, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Shelby Area District Library as of and for the year ended February 29, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelby Area District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Shelby Area District Library as of February 29, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - v and 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Shelby Area District Library
BALANCE SHEET—STATEMENT OF NET ASSETS
February 29, 2008

	Balance Sheet - Modified accrual	Adjustments	Statement of Net Assets - Full accrual
CURRENT ASSETS			
Cash and investments	\$ 183,056	\$ -	\$ 183,056
Receivables			
Property taxes	19,760	-	19,760
Other	270	-	270
Due from other governmental units	16,848	-	16,848
Prepaid items	549	-	549
Total current assets	220,483	-	220,483
NONCURRENT ASSETS			
Capital assets, net			
Depreciable	-	648,755	648,755
Total assets	\$ 220,483	648,755	869,238
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 9,915	-	9,915
Compensated absences	-	8,585	8,585
Total current liabilities	9,915	8,585	18,500
FUND BALANCE			
Unreserved	210,568	(210,568)	-
Total liabilities and fund balance	\$ 220,483		
NET ASSETS			
Invested in capital assets		648,755	648,755
Unrestricted		201,983	201,983
Total net assets		\$ 850,738	\$ 850,738

The accompanying notes are an integral part of this statement.

Shelby Area District Library
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
 For the year ended February 29, 2008

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
REVENUES			
Property taxes	\$ 122,095	\$ -	\$ 122,095
Intergovernmental revenues			
State	9,352	-	9,352
Local	143,501	-	143,501
Fines and forfeitures	2,911	-	2,911
Investment earnings	2,446	-	2,446
Contributions	11,975	18,780	30,755
Other	7,658	-	7,658
Total revenues	299,938	18,780	318,718
EXPENDITURES			
Current			
Salaries and wages	150,920	(473)	150,447
Fringe benefits	22,085	-	22,085
Magazine and newspaper subscriptions	3,160	-	3,160
Operating supplies	2,107	-	2,107
Office supplies	5,123	-	5,123
Insurance and bonds	5,548	-	5,548
Repairs and maintenance	11,587	-	11,587
Utilities	9,248	-	9,248
Professional services	3,849	-	3,849
Contracted services	3,083	-	3,083
Memberships and dues	4,807	-	4,807
Telephone	2,607	-	2,607
Postage	1,200	-	1,200
Printing	1,650	-	1,650
Other	11,206	-	11,206
Capital outlay	48,320	(48,320)	-
Depreciation	-	52,176	52,176
Total expenditures	286,500	3,383	289,883
Change in fund balance—net assets	13,438	15,397	28,835
Fund balance—net assets at March 1, 2007	197,130	624,773	821,903
Fund balance—net assets at February 29, 2008	\$ 210,568	\$ 640,170	\$ 850,738

The accompanying notes are an integral part of this statement.

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS
February 29, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shelby Area District Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

Reporting Entity

The Library was established by a district library agreement between the Village of Shelby and Shelby Township pursuant to the District Library Establishment Act of the State of Michigan. The Library is governed by a six member Library Board. The Village of Shelby appoints three members and the Shelby Township Board appoints three. The Library is administered by a Library Director appointed by the Board. The Library is primarily funded through property taxes, Township contributions, fines, fees, state aid and local penal fines received from the County.

Generally accepted accounting principles require that if the Library has certain oversight responsibilities over other organizations, those organizations should be included in the Library's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The Library only has governmental activities, which normally are supported by taxes and intergovernmental revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Library has only one governmental fund, no separate columns have been provided.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so they have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Library reports the following major governmental fund:

The General Fund is the Library's only operating fund. It accounts for all financial resources of the Library.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Library reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of short-term duration, the rate of return is fixed, and the Library intends to hold the investment until maturity.

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

All property tax receivables are shown net of an allowance for uncollectibles.

The Library does not collect taxes for any other taxing units. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Library to the County for collection. The County advances the Library all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Library. The Library recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Library totaled approximately \$85,697,000. The ad valorem taxes levied consisted of 1.4420 mills for the Library's general operations. These amounts are recognized in the General Fund.

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Capital Assets

Capital assets, which include buildings, library material and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two year with exception of library books, periodicals, etc. which are all recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings, library material and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Equipment	5
Library books, periodicals, etc.	5-10
Furniture and fixtures	10

Compensated Absences

Library employees are granted vacation and sick leave in varying amounts based on length of service. Accumulated vacation leave must be taken no later than one year after it is earned. Upon termination, employees are paid for unused vacation at their current rates. Sick leave pay does not vest with the employee and is payable only in the event of absences due to illness. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Balance and Net Assets

Reservations and restrictions represent amounts that are not appropriable or legally segregated for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first day of February, the Library Director submits to the Library Board a proposed operating budget for the year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than the fourth Monday in February, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Library Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the expenditure line. The Library Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended February 29, 2008, actual expenditures exceeded appropriations for salaries and wages by \$5,420 in the General Fund. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Library does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Library investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of February 29, 2008, \$4,733 of the Library's bank balance of \$186,466 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk – investments. The Library does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2008 was as follows:

	Balance March 1, 2007	Additions	Deductions	Balance February 29, 2008
Capital assets, being depreciated:				
Library books, videos, audios, etc.	\$ 584,135	\$ 44,245	\$ 43,315	\$ 585,065
Buildings and improvements	705,264	9,862	-	715,126
Furniture, fixtures and equipment	91,229	12,993	9,643	94,579
Total capital assets, being depreciated	1,380,628	67,100	52,958	1,394,770
Less accumulated depreciation:				
Library books, videos, audios, etc.	430,943	29,905	43,315	417,533
Buildings and improvements	270,090	11,451	-	281,541
Furniture, fixtures and equipment	45,764	10,820	9,643	46,941
Total accumulated depreciation	746,797	52,176	52,958	746,015
Capital assets, net	\$ 633,831	\$ 14,924	\$ -	\$ 648,755

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Library for the year ended February 29, 2008.

	Balance March 1, 2007	Additions	Reductions	Balance February 29, 2008	Due within one year
Compensated absences	\$ 9,058	\$ 9,872	\$ 10,345	\$ 8,585	\$ 8,585

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

NOTE F—OTHER INFORMATION

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

NOTE G—DEFERRED COMPENSATION PLAN

The Library offers all of its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits employees meeting certain requirements to defer a portion of their salary until future years. The Library contributed approximately \$3,700 for the year ended February 29, 2008, which represents 3 percent of covered wages. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participant and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE H—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance—governmental funds	\$ 210,568
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and are not reported in the governmental
fund.

Cost of capital assets	\$ 1,394,770	
Accumulated depreciation	<u>(746,015)</u>	648,755

Compensated absences in the governmental activities are not
due and payable in the current period and are not reported in
the governmental funds.

(8,585)

Net assets of governmental activities in the
Statement of Net Assets

\$ 850,738

Shelby Area District Library
NOTES TO FINANCIAL STATEMENTS—CONTINUED
February 29, 2008

**NOTE H—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS—Continued**

Net change in fund balances—total governmental funds \$ 13,438

Amounts reported for government activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets as
expenditures; in the Statement of Activities, these costs are
depreciated over their estimated useful lives.

Depreciation expense	\$ (52,176)	
Capital outlay	<u>48,320</u>	(3,856)

Contributions of capital assets are recorded as revenues in the Statement of Activities, but not in the governmental funds.	18,780
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Compensated absences are reported on the accrual method in
the Statement of Activities and reported as expenditures when
financial resources are used in the governmental funds.

	<u>473</u>
Change in net assets of governmental activities	<u><u>\$ 28,835</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Shelby Area District Library
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended February 29, 2008

	Original budget	Final budget	Actual	Variance with final budget - positive (negative)
REVENUES				
Property taxes	\$ 114,000	\$ 114,000	\$ 122,095	\$ 8,095
Intergovernmental revenues				
State	8,000	8,000	9,352	1,352
Local	135,000	135,000	143,501	8,501
Fines and forfeitures	2,500	2,500	2,911	411
Investment earnings	1,800	1,800	2,446	646
Contributions	19,500	19,500	11,975	(7,525)
Other	6,600	6,600	7,658	1,058
Total revenues	287,400	287,400	299,938	12,538
EXPENDITURES				
Current				
Salaries and wages	145,500	145,500	150,920	(5,420)
Fringe benefits	21,200	21,200	22,085	(885)
Magazine and newspaper subscriptions	3,500	3,500	3,160	340
Operating supplies	4,500	4,500	2,107	2,393
Office supplies	4,800	4,800	5,123	(323)
Insurance and bonds	7,000	7,000	5,548	1,452
Repairs and maintenance	12,500	9,500	11,587	(2,087)
Utilities	10,000	10,000	9,248	752
Professional services	4,500	4,000	3,849	151
Contracted services	4,000	4,000	3,083	917
Memberships and dues	7,000	7,000	4,807	2,193
Telephone	1,500	1,500	2,607	(1,107)
Postage	3,000	2,500	1,200	1,300
Printing	1,300	1,300	1,650	(350)
Other	20,700	9,200	11,206	(2,006)
Capital outlay	36,400	51,900	48,320	3,580
Total expenditures	287,400	287,400	286,500	900
Net change in fund balance	\$ -	\$ -	13,438	\$ 13,438
Fund balance at March 1, 2007			197,130	
Fund balance at February 29, 2008			\$ 210,568	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 6, 2008

Board of Directors
Shelby Area District Library
Shelby, Michigan

In planning and performing our audit of the financial statements of the Shelby Area District Library as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Shelby Area District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelby Area District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelby Area District Library's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Library Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: Receivables and payables should be recorded on the Library's system at year end.

During our audit, we noted that both accounts receivable and accounts payable were not adjusted to supporting detail at year end.

The performance of a reconciliation at year end would increase the opportunity for accounts receivable and accounts payable activity to be properly recorded in the general ledger.

Recommendation 3: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Library should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Library Board and Director.